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# ECONOMIC HISTORY AND THEORY

*SYNOPTIC TABLES AND DIAGRAMS*

BY

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## CONTENTS

	PAGE
INTRODUCTORY NOTE, . . . . .	5
TABULAR VIEW OF ECONOMIC HISTORY AND THEORY, <i>facing</i>	6

### PART I.—ECONOMIC HISTORY.

SECTION I. Development of English Industry, 530—1800 A.D., .	7
„ II. Do. Do., The Era of Machinery, 1800 A.D., .	9

### PART II.—ECONOMIC THEORY.

SECTION I. General Survey of Economic Theories, . . . .	10
„ II. Do. Do., . . . . .	12
„ III. Do. Do., . . . . .	13
„ IV. Do. Do., . . . . .	15

### PART III.—ECONOMIC PROCESSES IN MODERN INDUSTRY.

SECTION I. Production, . . . . .	16
„ II. Distribution, . . . . .	17
„ III. Consumption, . . . . .	20
„ IV. Exchange, . . . . .	21

### PART IV.—NATIONAL ECONOMY.

National Economy, . . . . .	24
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### PART V.—GENERAL SUMMARY.

General Summary, . . . . .	27
Diagram of Social Dynamics, I., . . . . .	31
Do. Do., II., . . . . . <i>facing</i>	32

## BOOKS FREQUENTLY REFERRED TO

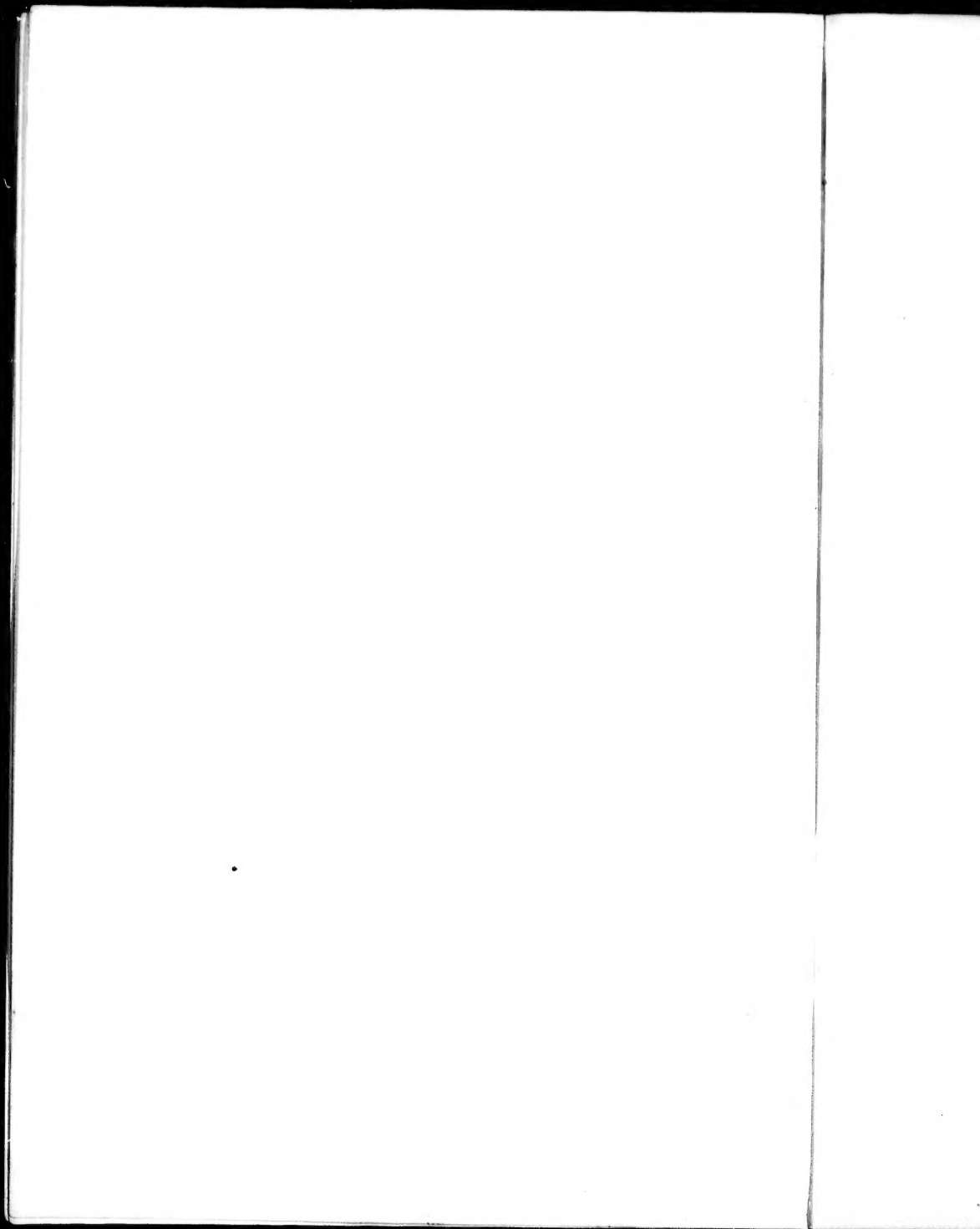
TITLES.	CONTRACTIONS.
<i>An Introduction to English Economic History and Theory.</i> By W. J. Ashley, M.A. 2 vols., .	ASH.
<i>Distribution of the Product.</i> By Edward Atkinson, .	ATKINSON.
<i>British Association Reports, 1878, 1885, 1887, and 1889,</i>	B.A.
<i>History of the Cotton Manufacture.</i> By Edward Baines,	BAINES.
<i>History of Political Economy,</i> . . . . .	BLANQUI.
<i>On Guilds and Trade Unions.</i> By Lujo Brentano, .	BRENTANO.
<i>Positive Philosophy.</i> By Auguste Comte, .	COMTE.
<i>Growth of English Industry and Commerce.</i> By W.	
Cunningham, M.A. (2d edition), . . . . .	CUNN.
<i>Politics and Economics.</i> By W. Cunningham, B.D.,	CUNN. POL.
1885, . . . . .	ECON.
<i>The Making of England.</i> By J. R. Green, . . . . .	GREEN.
<i>History of Political Economy.</i> By Dr. J. K. Ingram,	INGRAM.
<i>Theory of Political Economy.</i> By W. S. Jevons, .	JEVONS.
<i>Principles of Political Economy.</i> By J. S. Mill, .	MILL.
<i>Ricardo, Works.</i> Edited by M'Culloch, . . . . .	RICARDO.
<i>History of Agriculture and Prices.</i> By Prof. Thorold	
Rogers, . . . . .	ROGERS.
<i>Six Centuries of Work and Wages.</i> By Prof. Thorold	ROGERS.
Rogers, . . . . .	SIX CENTURIES.
<i>Roscher, Political Economy.</i> 2 vols. Translated by	
Lalor, . . . . .	ROSCHER.
<i>The English Village Community.</i> By Frederic See-	
bohm, 1884, . . . . .	SEEB.
<i>The Era of the Protestant Revolution.</i> By Frederic	SEEBOHM PROT.
Seebohm, . . . . .	REV.
<i>Principles of Political Economy.</i> By H. Sidgwick, .	SIDGWICK.
<i>Wealth of Nations.</i> For Bibliography of <i>Wealth of</i>	
<i>Nations</i> , see Notes to Professor Nicholson's edi-	
tion, and also Anderson's Bibliographical Appen-	
dix to R. B. Haldane's <i>Adam Smith</i> , . . . . .	SMITH.
<i>Constitutional History.</i> By Bishop Stubbs. 3 vols.,	STUBBS.
<i>Industrial Revolution.</i> By Arnold Toynbee, . . . . .	TOYN.
<i>Economics of Industry.</i> By A. & M. P. Marshall, .	MARSHALL.
<i>Principles of Social Economy.</i> By Yves Guyot,	GUYOT.

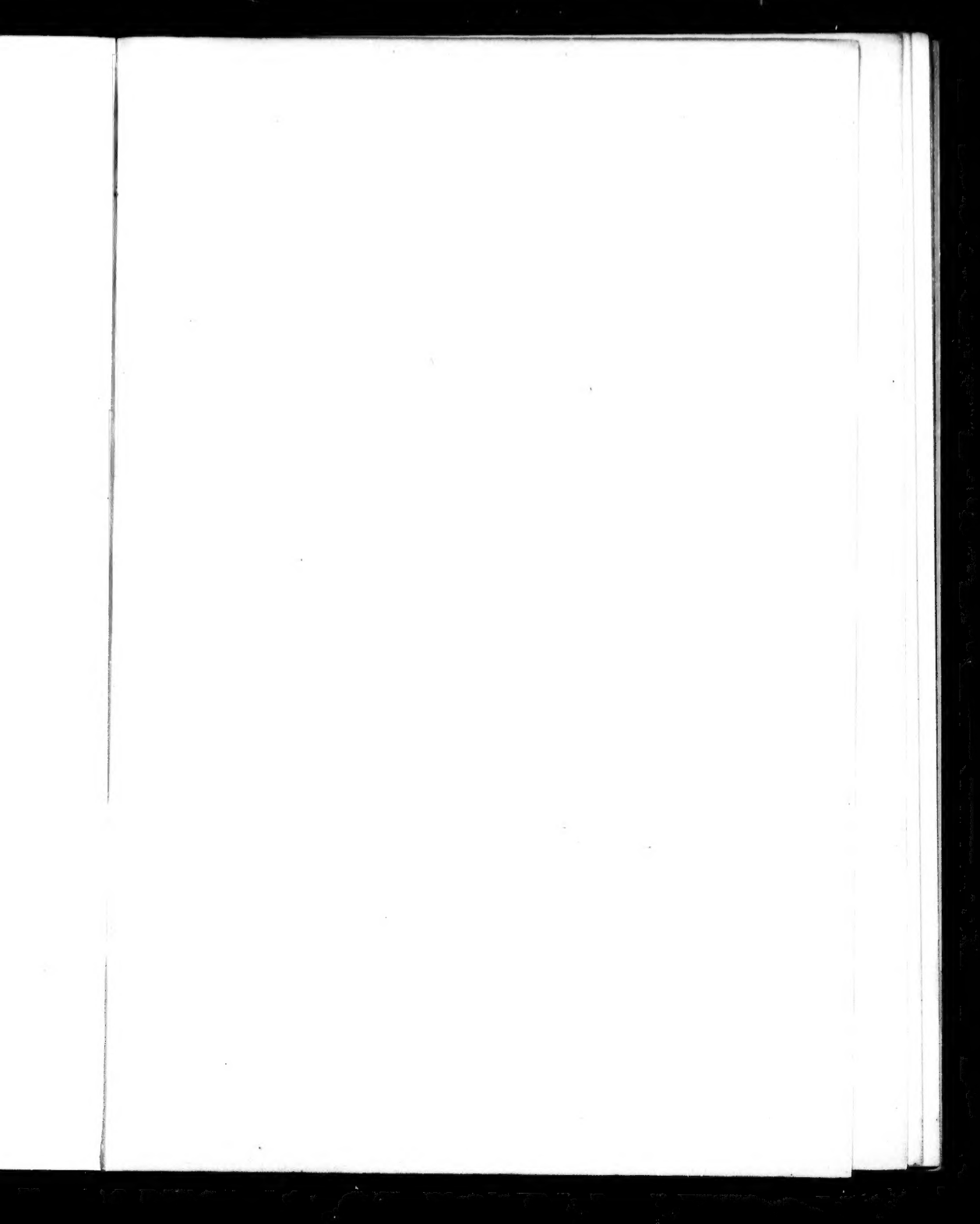
## INTRODUCTORY NOTE

THE issue in this form of a Synoptic Statement of Economic History and Theory has been suggested by the demand for previous privately printed detached synopses. Primarily designed for the use of students attending University Extension Classes, the aim is to afford a comprehensive view of economic science, and to facilitate systematic research over the whole field. An attempt is made to display in outline, and mainly in tabular form, the relations of the various departments of the subject-matter: the student is expected to fill in details by reading the authors quoted. Study of the Economic Classics (Smith, Ricardo, Mill), and of the English critical group (see Section VI.), is assumed. Textual references are only occasionally given. Indices can in most cases be consulted for the special point to which reference is intended. The books comprised in the list are all in English, and are readily available to the ordinary student.

The advanced student will find it advantageous to consult, as general manuals, the *Handbuch* of Schonberg and the *Bau und Leben des Socialen Körpers*, by Schäffle. The French literature on the subject may be traced by means of the excellent catalogue of Messrs. Guillaumin & Cie., Paris. There are good general bibliographies in Dr. J. K. Ingram's *History of Political Economy*, and in L. Cossa's *Guide to the Study of Political Economy*. The *Quarterly Journal of Economics* contains a bibliography which is kept well up to date.

J. M.







# DIAGRAM OF ECONOMIC HISTORY AND THEORY.

DEVELOPMENT OF INDUSTRY.				
400-1300 A. D.	1300-1500	1500-1700	1700-1800	1800-1850
Feudalism.	Collapse of Feudalism.	<b>Mercantileism.</b> <b>Age of International Competition.</b> NATIONAL PROTECTION. FREE TRADE. Trade Cycles.		
Agriculture pre-eminent in England. Industry carried on by self-sufficient groups.	Rise of Trade Guilds. Domestic Industry.	Rise of Specialised production.	Rise of Machine Industry.	Factory Acts, Trades Unions, Great Inventions, Joint Stock Acts.
Baronage and Serfage.	Black Death and peasant risings.	Shipment of silver into Europe from Mexico.	Shipment of Gold from Australia to England.	
Ages of European agriculture and Eastern manufacture.		Discovery of foreign markets and rise of international trade.	<b>Growth of Capitalist Employing and Wage Earning Classes.</b> CO-OPERATION. AMERICAN COLONIAL AND INDIAN DEVELOPMENT.	
			Ages of European manufacture and Eastern, Colonial, and American agriculture.	

Mercantile System.			Deductive School.	Inductive or Historical School.
<b>Mercantilism</b> <i>Reaction.</i> <i>Laissez-Faire.</i> Colbert. Raleigh. Mun. Child. Temple Davenant.			<b>PESSIMISTIC.</b> MALTHUS. RICCARDO. James Mill. J. S. Mill. Cairnes. J. B. Say.	COMTE. ROSCHER. KNIES. BRENTANO. — LAVELEYE.
The Scholastics.				

The Scholastics.

	Mercantile System.	Deductive School.	Inductive or Historical School.
	<p><i>Mercantilism</i></p> <p>Colbert. Raleigh. Mun. Child. Temple Davenant.</p>	<p>Pessimistic.</p> <p>MALTHUS. RICARDO. James Mill. J. S. Mill. Cairnes. J. B. Say.</p>	<p>COMTE. ROSCHE. Knies. Brentano. Laveleye. Ingram. Biological Methods. Geddes.</p>
	<p><i>Physiocratic Group.</i></p> <p>Quesnay. Gournay. <i>Progressive Group.</i> Cantillon. Anderson. HUME. ADAM SMITH.</p>	<p>Optimistic.</p> <p>Bastiat. Carey. German Disciples of Smith. Rau.</p>	<p>Transition.</p> <p>Rogers. Leslie. Jevons. Edgeworth. Nicholson. American Historical School. R. T. Ely. Austrian Deductive School. Menger. Böhm. Bawerk.</p>
	<p><i>Progressive Group.</i></p> <p>Petty. North. Locke.</p>	<p>Godwin.</p>	<p><i>Socialist Groups.</i></p> <p>Sismondi. (Ruskin.) Marlo. Marx. Lassalle. Rodbertus.</p>

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# ECONOMIC HISTORY AND THEORY.

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## PART I.

### ECONOMIC HISTORY.

#### SECTION I.

1. **Development of English Industry.**—General course of development. From self-contained industrial groups to varied inter-dependent industrial groups.

2. **530-1066 A.D.**—Leading feature of industry in Anglo-Saxon times—*Self-sufficiency* of industrial groups. Agriculture—Chief employment of English people of Teutonic origin. Pasturage, that of people of Celtic origin. The Township and the Mark. The Three-Field System—wheat, barley, and fallow (Cunn. p. 57). The Saxon castes—Noble, freeman, læt, and slave. Present controversy upon the land-holding system of early England. Exponents of the theory of primitive COMMUNAL ownership of land—Maurer, Nasse, Sir Henry Maine (see Ash., p. 5. See also Stubbs, *Const. Hist.*, vol. i. pp. 33 and 49). Exponent of the theory that the MANORIAL SYSTEM is traceable at least to the period of the Saxon invasion—Seeböhm (*q. v.*). General statement of Mr. Seeböhm's position. If a line were drawn from a point somewhere about Inverness down through Scotland and England, there would be on one side of this line the north-eastern counties of Scotland, the eastern and lowland counties, and the northern, midland, and southern counties of England. On the other side of this line there would be the Highlands of Scotland, Wales, and Ireland. Thus on one side there would be the Saxon element, the MANORIAL SYSTEM, and agriculture; and on the other side there would

be the Celtic element, the tribal system, and pasturage. The MANORIAL SYSTEM involved the cultivation of the land by peasants, from whom forced labour was exacted by the lord of the Manorial domain. The TRIBAL SYSTEM involved the care of Stock being conducted by the members of the tribe or group of families, each of whom had a certain recognised position, though absolute individual ownership of the land was unknown. "The land belonged to the tribe" (Maine). The gist of the controversy, as regards the alleged prevalence of the MANORIAL SYSTEM throughout Saxon England, lies in the question whether the Saxon *Gebur*—or cultivator of a normal area (yard-land) of thirty acres, with an outfit of two oxen and seed (Seebohm, p. 131)—was a serf or a freeman. This class formed, according to Mr. Seebohm, the bulk of the population in the eleventh century, and probably from a much earlier time. According to Mr. Seebohm the position of the Saxon peasant was not that of a communal freeman, but that of a serf. His history is not that of a primitive free man who was subsequently reduced to slavery, but that of a primitive serf who has been, or is being, gradually emancipated. Mr. Seebohm's work, though extremely interesting and important, cannot be regarded as finally settling the question. Note important influence on subsequent economical condition of both Ireland and England by the breaking up of tribal and manorial systems (see Seebohm, *op. cit.*, and Maine, *Village Communities* and *Early History of Institutions*). Condition of Saxon people. Houses, furniture, clothes. Beginnings of commerce. Salt an important article of trade in the middle ages. English foreign trade begins about 775 A.D.

3. 1066-1200 A.D.—Further development of Manorial system. Crusades lead to commercial activity in Europe. Expansion of trade and increase of wealth lead on to separation of classes.

4. 1200-1500 A.D.—English people pass from condition of serfdom. Change from Manorial system to Bailiff system. Black Death. (1348) Decimation of population. Rise of

wages and prices. Peasant rising (1381). Wars of Roses (1452-1485); consequent collapse of Feudalism. Development of towns. Rise into power of Craft Guilds. Woollen manufacture. General prosperity of England in close of 15th century. Discoveries of Diaz, Cabot, and Vasco de Gama.

5. **1500-1700 A.D.**—Protestant Reformation. Confiscation of Church Property. Aggrandisement of power of Crown, and establishment of new nobility. Extensive Sheep-farming began. Development of Wool trade. Discoveries of Drake and Raleigh. American colonies settled—Massachusetts (1628). Silver discoveries and consequent rise of prices in terms of silver. Industrial and Commercial Legislation.

6. **1700-1800 A.D.**—**Union of England and Scotland.**—Opening up of Scotland to Trade. Roads. Anson's and Cook's Voyages. Rise of great Towns. Growth of the Middle Class. Spinning Jenny. Watt's Steam Engine (1769). Newspapers. Development of Foreign and Colonial Trade. General Introduction of Machinery and consequent revolution in Industry.

1. Cunn. 2. Cunn.; Seeb.; Ash.; Stubbs. 3. Cunn.; Ash.; Green. 4. *ib.*; Brentano; *The Burgh Records*; Historic Towns Series, e.g. *Exeter*, by E. A. Freeman; Jousserand's *English Wayfaring Life in XIVth Century*; Rogers's *Hist. of Agriculture and Prices*; Report of Commission on Market Rights (Parliamentary Paper, C 5550). 5. Seeböhm's *Protestant Revolution*; Toyn.; *Annals of England*, Freeman; Cunn. *Pol. Econ.* 6. Burton's *Hist. of Scotland*; Baines; Toyn.; Rogers, *Six Centuries*.

## SECTION II.

1. **The Era of Machinery. Technological Development of the Machine Industry.**—Leading Inventions of the century. Chief Industries. Exploitation of Minerals. Development of means of Transit. National Industrial Characteristics.

2. **Commercial Development.**—The growth of foreign and colonial trade brings about increasing International dependence. Periods of inflation and depression. Commercial

legislation. Partial freedom of commerce. Influence of legislation on trade.

3. **Economical Development.**—The altered relation between employer and employed affected by the introduction of machinery. The main problem that emerges—the question of the division of the product of organised labour. Wages disputes. Anti-combination laws. Strikes. Trade Unions. Trade Union Acts. Mines and Factory Acts. Limited Liability Acts. Poor Laws. Partial freedom of labour. Associative effort:—Joint Stock Companies, Co-operative Societies, Friendly Societies. Incidental effects of machinery upon population, upon aggregate wealth, and upon the distribution of the product of labour.

1. Levi's *Hist. of Commerce*; Toyn. ; Cunn. 2. Cunn. *Pol. Econ.*; Wells, Hon. David A., *The Great Depression in Trade*; Seeley, *Expansion of England*; Statistical Abstracts, Board of Trade; Reports, London Chamber of Commerce; Miscellaneous Reports, United Kingdom; Consular Reports, British and United States; Report on 'Trades' Societies, Social Science Congress, 1860; *On Occupations of the People*, 1801-1881, C. Booth (*Journal Statistical Society*, xlix. p. 314). 3. Senior, *Essays*; Howell's *Conflict between Capital and Labour*; Reports by Labour Correspondent Board of Trade; Reports by Depression of Trade Commission; Reports of Boards of Arbitration and Conciliation for the Manufactured Iron Trade of the North of England Darlington Ironworkers' Association, 1877, 1879, 1882, 1882, 1884, 1884, 1885, 1885; Arbitration Clyde Shipwrights, Glasgow, 1878, and other detailed accounts of strikes; *Industrial Peace*, Price; Fowle's *Poor-Law*; Holyoake's *History of Co-operation*; Reports of Co-operative Congresses; Rogers, *Economic Interpretation of History*; Cunn. *Pol. Econ.*; Macdonnell, *Survey of Pol. Econ.*

## PART II.

### GENERAL SURVEY OF ECONOMIC THEORY.

#### SECTION I.

1. **Ancient Economic Theory.**—Typical economic thinkers—Plato and Aristotle. Plato represents the Greek ideal—claiming for the State the energies of the citizens. Aristotle

represents the ideal of personal freedom, rejecting the subordination of man to the State. Both reject the subordination of man and the State to mere increase of production. Both regard wealth as beneficial only so far as it secures the general good. Plato hoped to obtain this by community of property, Aristotle by private possession. Greek conception of the position of the labouring class involved its social and political inferiority. Theoretic preference for agriculture over manufactures current in ancient times. Both Plato and Aristotle forbid the taking of interest, on the ground that money is barren. Aristotle's view of the State is of an organic whole, whose end is the morality and happiness of the citizens, while cordiality of companionship, not external government, is the efficient national bond. The old controversies, Man *versus* the State, and Home *versus* Foreign Manufactures, appear and reappear in economic history.

2. **Medieval Economic Theory.**—The Church—The canonists—their views are adverse to private property and to interest. Usury forbidden by the Church.

3. **The Mercantile Theory.**—Growth of the idea of nationality, and consequent effect upon economic theory. Connection of the mercantile system with the contemporary theory of the State and with the rapid expansion of trade with money. According to Roscher the theory tends to exaggerate the importance of five elements:—(1) Density of population; (2) Quantity of Money; (3) Foreign Commerce; (4) Manufactures; (5) State Guardianship of Industry. The idea of the balance of trade and the discoveries of foreign markets and of silver in America foster these overestimations. Effects of adoption of mercantile system upon industry—new industries fostered, and thus industry made more complex. Reaction upon National Policy. Intensification of idea of nationality. Extension of State regulation of Industry. Contemporary criticism of Mercantile System. Chief grounds:—

- (1.) Money, as between one nation and another, is only a commodity.



- (2.) The balance of International Trade tends to equilibrium.

Truths recognised by Mercantile School:—

- (1.) That money occupies, by custom and legislation, a position which no other commodities occupy.  
 (2.) That the well-being of the people is no necessary consequence of world-wide competition.

The relation of modern theories of protection and of bimetallism to mercantilism.

The Mercantile System, which was like Feudalism, beneficial in consolidating nationalities, attains the height of its power in the 17th century, and gives way before the pressure of industrial development, which overthrows artificial barriers and makes isolation impossible. Yet mercantilist conceptions still colour current commercial habits of thinking.

1. Plato's *Republic*; Aristotle's *Politics*; Xenophon's *Economics*.  
 2. Cunn.; Ingram. 3. *National Economy*, List. On the Mercantile System, see specially Cunn. and Cunn. *Pol. Econ.*; Smith; Roscher; Ingram.

## SECTION II.

1. **The Mercantile System.**—Last days of mercantilism. Groups of critics in France and England. Internal symptoms of decay. The rise of credit, and the establishment of Law's Bank in France (1720). Growth of speculative spirit. The Mississippi Scheme. Abuse of public confidence by excessive rise of public credit. Collapse of Law, and general dislocation of finances (1724). Service of Law. Initiation of Joint Stock enterprise.

2. **The Physiocratic School.**—Reaction against mercantilism. Political Economy came to be studied in some measure by scientific method. *The Tableau Economique* of Quesnay. The Net Product and the Single Tax. Agriculture alone regarded as productive by majority of school. Commerce and manufactures regarded as sterile. From this standpoint the physiocrats made effective criticism of mer-

cantile system, and partially developed the idea of freeing industry from State control. "The system of natural liberty." Contradictions of the Physiocrats—tendency towards absolutism as a means of obtaining liberty.

3. **The Wealth of Nations.**—The general scheme of the book. The indebtedness of Smith to the Physiocrats and to David Hume. Smith's criticism of the Mercantile System and of the Physiocratic Theory. His theories of value, of wages, and of rent. His attitude towards State regulation of industry, the taxation of imports, and the play of individual self-interest. German criticism of Smith. Services to Economic Theory—(a) His destructive criticism of the Orthodox System; (b) His indication of value as a measure of motive (Marshall). The effect of Smith's work upon legislation, see notes, pp. 16, 26.

1. Nicholson, *Money and Monetary Problems*; Blanqui's *History of Pol. Econ.* 2. Ingram; Blanqui; *Turgot*, by Leon Say. For partial restatement of Physiocratic position, see Henry George, *Progress and Poverty*. 3. Smith, *Wealth of Nations*, ed. Rogers and ed. Nicholson; *Adam Smith*, by R. B. Haldane; Hume, *Essays*; Bagehot, *Essays*; Marshall, *Scope of Economic Science*.

### SECTION III.

1. **The Theory of Population.**—Wallace, Stewart, Condorcet, William Godwin. Their relation to the current strain of revolutionary thought. Reaction against Ideas of Artificial Social reconstruction. Fresh appeal to natural order. Essay on the principle of population, by Malthus. Its polemical aim. Its leading principles, viz.—(1st) That population tends to outrun subsistence; (2d) That in so doing it meets with checks, viz.—(a) Positive checks, war, disease, etc.; (b) Preventative checks, moral restraint, etc. Contemporary criticism of Malthus. Rapid conversion of leading economists to Malthus's views. Darwin's development of the principle of Malthus,—(1st) Theory of the "Survival of the fittest"; (2d) By (a) Natural selection; (b) Artificial selection. Spencer's qualification. His Laws of

Multiplication. "Multiplication and individuation vary inversely." Bearing of this upon the practical outcome of Malthus's theory. Recent speculations in biology in this connection. Self-regarding and species—regarding instincts (Geddes).

**2. The Theory of Rent and the Theory of Wages.**—Predecessors of Ricardo—Dr. James Anderson, Malthus, West. Ricardo's method, mainly deductive. His theory of rent.

Condensed statement connecting together the Theories of Labour, Capital, and Rent:—

- (1.) Let it be granted that the produce of any area of land may not be in direct proportion to the labour expended upon it.

It follows that some lands may be more productive than others, labour being equal.

- (2.) Let it be granted that the labourer consumes a part of the produce—this part is Wages. The ratio of this labourer's share to the whole product is subject of investigation under the head—Theory of Labour.

- (3.) Let it be granted that the owner of the seed and farming implements receives a share of the product—this share is Interest. The ratio of this to the amount of stock is subject of investigation under the head—Theory of Capital.

It follows that if all land were of equal fertility, the product would be entirely absorbed in Wages (Return to Labour) and Interest (Return to Capital); but all lands are not of equal fertility, therefore in some lands, assuming mobility of Capital and Labour, there is a third share or surplus—this is Rent (Return to Fertility of Land).

**3. Disciples of Ricardo in England**—James Mill, Senior. Contemporary Criticism of Ricardo—Jones.

1. Ingram; Godwin's *Political Justice*; *Godwin's Life*, by C. Kegan Paul; Malthus, *The Principles of Population*; *Malthus*, by James Bonar; Ricardo and Malthus, *Letters*, ed. by James Bonar; P.

Geddes, *The Evolution of Sex*, and Reports, British Association, 1885, p. 1167; Herbert Spencer, *Principles of Biology*, vol. ii. pp. 391 *et seq.* 2. Ricardo; Malthus; *Pol. Economy*; Posnett's *Ricardian Rent*. 3. Ingram.

## SECTION IV.

1. **Recent Economic Theory.**—*1st Period.*—Political Economy comes to be regarded as an established science, whose principles have been demonstrated once for all. Grounds for this belief—apparent success of free trade. Resulting optimism. Representatives of this period—John Stuart Mill (1848), Bastiat (1845-48), German Smithian School, Rau (1826-32).

*2d Period.*—Feeling of scepticism as to soundness of the prevailing Economic Theories. Criticism of current Economic Theory by Auguste Comte (1839). Critics divide themselves into two camps—First, there are those who expound and modify the conclusions of the earlier Economists, and who regard the science as to be studied mainly by the deductive method. Among these is Cairnes (1857). Second, there are those who adopt mainly the method of induction, and who regard of the first importance the study of economic history. Among these is Roscher (1843).

2. The following groups adopt a method which may be fairly described as a union of the deductive and the inductive methods:—

ENGLISH CRITICAL GROUP.—Longe (Wages Theory refuted, 1866), Thornton, on Labour (1869), Cliffe Leslie (1879), Marshall (1879), H. Sidgwick (1883), Hearn (1864), Jevons (1871), Rogers (1884). *American*—Walker (1883).

PROFESSORIAL SOCIALIST GROUP.—Schäffle (1870), Wagner (1871).

SOCIALIST GROUP.—Rodbertus (1850), Marlo (1850), Lassalle (1861), Marx (1867), Meyer (1874).

3. **Main Lines of Current Controversy.**—(a) Inductive *versus* Deductive method in economic thinking; (b) Functions of the State; (c) Division of the Product of Collective Labour.

4. Influence of Economic Study upon Legislation.

1. Sidgwick; J. S. Mill; Roscher; Ingram. 2. Comte; Ingram, *Hist. Pol. Econ.*, and *Address Brit. Assn.* 1878; Sidgwick, *Address B. A.* 1885; 'Science' *Economic Discussion*; Cunningham, *Paper B. A.* 1889; Marshall, *Scope of Economic Science*. 3. Ingram, *Hist. Pol. Econ.*; John Rae, *Contemporary Socialism*; T. Kirkup, *An Enquiry into Socialism*; Marx, *Capital*, 2 vols. 4. See ref. 2; H. Spencer's *Man versus the State*; Bluntschli, *Theory of the State*; Spencer's *Principles of Soc.*; Spencer's *Study of Sociology*; Donisthorpe, *The Basis of Individualism*. *Cann. Pol. Econ.*

## PART III.

### ECONOMIC PROCESSES IN MODERN INDUSTRY.

#### SECTION I.

##### Production—

1. Indispensable Conditions of Production:—Time, space, etc.

Contingent Conditions of Production:—National Security, and Social Stability.

2. Analysis of PRODUCTION.

(a) (1) Simple form of Production:—

LABOUR acts upon MATERIAL. The result is PRODUCT.

(2) Complex form of Production:—

The PRODUCT of one operation becomes the MATERIAL of the next. LABOUR acts upon PRODUCT-MATERIAL, or CAPITAL, in the form of TOOLS, and upon Product-Material in the form of Raw Material. The result is PRODUCT.

(b) The Factors of Production are therefore—

(1) MATERIAL, *e.g.*, Land and Minerals.

- (2) PRODUCT-MATERIAL, or CAPITAL, being that portion of the result of Production which is used in further production.
- (3) LABOUR. (a) Directive or organising labour ;  
(b) Manual labour.
- (c) Relative functions of the possessors of the Factors of Production :—
  - (1) The function of the LANDHOLDER, who possesses and lets out RAW MATERIAL.
  - (2) The function of the CAPITALIST, who possesses and lets out PRODUCT-MATERIAL, or CAPITAL.
  - (3) (a) The function of the EMPLOYER or ENTREPRENEUR, who possesses and lets out directive or organising labour-force.
  - (b) The function of the MANUAL LABOURER, who possesses and lets out manual labour-force.

### 3. STAGES IN PRODUCTION.

- (a) Exploitation.
- (b) Manufacture.
- (c) Transport.

*Note.*—Product material, though a somewhat cumbrous expression, is suggested as being more self-explanatory than the word Capital.

1. On Production generally, see J. S. Mill, *Pol. Econ.* ; Hearn's *Plutology* ; Sidgwick ; Marshall's *Economics of Industry* ; Atkinson's *Distribution of the Product* ; Guyot. 2. (c) (3) (a) Walker, *Wages Question*, and *Political Economy*.

## SECTION II.

### Distribution.

1. Current method of Distribution of the Product of Collective Labour.

- (a) Payments out of Product for indispensable and contingent conditions of production.

3. Resulting analysis of *Gross* Cost of Production, or the sum of the REMUNERATIONS of the Agents in Production.

- |  |   |   |
|--|---|---|
| (a) Cost of Conditions of Productions (see p. 15),   | } | (1) <i>Taxation.</i>                                  |
| (b) Cost of Continuity of Production, or of Replacement of Material and Product-Material consumed in productive process, including Insurance against loss by Fire, etc., . . . . . |   | (2) <i>Cost of Material.</i><br>(3) <i>Insurance.</i> |

## (c) Cost of Hire of Material—Land.

- |  |                    |
|--|--------------------|
| (1) Payment for use of Natural Agents — Economic Rent, . . . . .     | } (4) <i>Rent.</i> |
| (2) Payment for advantage of position — Rent of situation, . . . . . |                    |

(d) Cost of Hire of Product-Material or Capital, . . . . . } (5) *Interest.*(e) Cost of Hire of Directive Labour, . . . . . } (6) *Wages of Superintendence.*(f) Cost of Hire of Manual Labour, (7) *Wages of Labour.*

(g) There is, usually, in productive industry a difference between the sum of these items of cost and the exchange value of the product. When this difference is a *plus* quantity, it is PROFIT; when it is a *minus* quantity, it is LOSS. In the first case it is at the disposal of, and in the second it is initially borne by, the organiser of the productive enterprise—viz. the employer.

4. The *Net Cost* of Production is the Sum of the SACRIFICES of the Agents in Production. The difference between the *Gross Cost* and the *Net Cost* is the measure of Productivity. There is thus an analogy between Rent, Interest, and Wages, in the sense that there is an actual physical return to each successive increment of fertility, of capital and of labour, and this return is Rent, Interest, and Wages respectively. These quantities are, however, economic quantities alone, and the amounts of Rent, Interest, and Wages, paid at any time, only more or less nearly approximate to the economic quantities. It is important to notice that these economic quantities are simultaneously determined (see Edgeworth, B. A. Report, 1889, Section F, p. 17. When payments were made in kind, the constituents of distribution were actually so expressed. For note on historical evolution of distribu-



tion in terms of product, see expressly, Seeb. p. 121, and p. 70.

Distribution.—Sidgwick. *Theory of Rent*.—Ricardo ; Mill ; Posnett, *Ricardian Theory of Rent* ; Walker, *Land and its Rent*. *Theory of Interest*.—Jevons. *Theory of Wages*.—Ricardo ; Walker, *Wages Question* ; Marshall's *Econ. of Industry* ; Thornton, *On Labour* ; *Industrial Remuneration Conference Report* (Cassells) ; Atkinson, *op. cit.* Gunton, *Wealth and Progress*. See, however, Böhm-Bawerk's analysis in *Capital and Interest*, Smart's Translation ; and James Bonar, *The Austrian Economists*, and *The Positive Theory of Capital*, *Quar. Jour. Econ.* vol. III.

### SECTION III.

#### A. Consumption or use of Product.

##### 1. FOR SOCIAL USE.—

- (a) Legislative :—Civic and National consumption.
- (b) Voluntary :—Foundations, endowments, etc.

##### 2. FOR PERSONAL USE.—

- (a) Standard of comfort or normal level of consumption of—
  - (1) Working class.
  - (2) Employing class.
  - (3) Capitalist class.
  - (4) Landholding class.
- (b) Luxurious consumption by each class.

##### 3. FOR PRODUCTIVE USE OR SAVING.

- (a) The Law of Increase of Capital.
- (b) The return to Capital—Interest.

#### B. Consumption of Human Life and Energy in Production.

- (a) Industrial Pathology.
- (b) Economic Value of Population.
  - (1) Physiological conditions pre-determining choice of occupation.
  - (2) Physiological effects of certain occupations. Life tables of occupations.

(c) The mobility of labour.

### Reaction of Consumption upon—

- (a) PRODUCTION, as regards *Character of Products*
- (1) Quality of Products.
  - (2) Quantity of Products (over or under-production).
- (b) DISTRIBUTION, as regards
- (1) Relation of Rent, Interest, etc., and Prices.
  - (2) Relation of Wages and Prices.
- (See p. 22.)
- (c) EXCHANGE, as regards
- (1) Normal Trade.
  - (2) Inflation of Trade.
  - (3) Depression of Trade.

*Note.*—That Economics is based upon consumption, and upon the biological conceptions which this involves, is recognised among others by Malthus, Doubleday, and Jevons (see *e.g.* Jevons, p. 43). The biological theory of Economics has been fully developed by Geddes, *op. cit.*

A. 2. (a) *Mass. Bur. Reports*, 1885; Booth, *East London*; (b) Wylie's *Labour, Leisure, and Luxury*; Carpenter, *Civilisation, its Cause and Cure*. 3. (a) Mill. B. (a) *Industrial Pathology*—Cantor Lectures, by Dr. B. W. Richardson; (b) Chadwick, *The Health of Nations*; Memorial Volume, Dr. Farr; Guyot; Supplementary Report, Reg. Gen. 1885, Parliamentary Paper, C 4564; (c) Reports Commission on Depression of Trade; Booth, *op. cit.*

## SECTION IV.

### Exchange.

#### 1. THE THEORY OF EXCHANGE.

- A. Theory of Utility.
- B. Theory of Exchange Value or Price.
  - (a) Cost of Production. (See p. 17.)
  - (b) Market Price.

## c. Theory of Money.

## 1. The functions of Money.

- (a) Medium of Exchange.
- (b) Common measure of price.

## 2. The Status of Money.

- (a) The *Fiat* Theory.
- (b) The *La'sser-faire* Theory.

## d. The Theory of International Exchange.

- (a) Barter of commodities.
- (b) Export of Coin.
- (c) Transfer of instruments of credit.

## 2. PRACTICE OF EXCHANGE.

## A. Barter.

## B. Money.

## c. Instruments of credit.

- (a) Granted by Government.
- (b) Granted by bankers.
- (c) Granted by private persons.

## Payable in Money.

- (a) On Demand—Bank notes, cheques, telegraphic transfers, etc.
- (b) On Specified Dates—Exchequer Bills, bank post bills, drafts, promissory notes, etc.

## 3. THE HISTORY OF EXCHANGE.

## A. The History of Money.

- (a) Coinage.
- (b) Gresham's Law.
- (c) Silver as money.
- (d) Gold as money.
- (e) Monometallism.
- (f) Bi-metallism.
- (g) Appreciation and depreciation.
- (h) The question of a fixed ratio.

- (i) Monetary legislation.
- (j) Practicability of a multiple standard.

Exchange.—1. Jevons' *Theory of Political Economy*; Cliffe Leslie's *Essays*; Cairnes, *Principles of Political Economy*; Dana Horton, *Position of Law in the Doctrine of Money*; Barbour, *Theory of Bi-metallism*; Goschen, *Theory of Exchanges*; Jevons' *Money*; Macleod's *Banking*; Marshall; Bagehot, *Lombard Street*. 2. Jevons' *Money*; Edgeworth, *Monetary Standard Report*, B. A. 1887; Nicholson, *Monetary Problems*; Dana Horton, *The Silver Pound*, etc. 3. Roscher; Jevons' *Investigations into Currency and Finance*; Report Monetary Commission, Paris, 1878; Reports Silver Commission, 1876, 1888; Edgeworth, Memorandum, B. A. Report, 1887.

#### B. THE HISTORY OF RENT, INTEREST, WAGES, AND PROFITS.

- (a) General Retrospect.
- (b) Wages in America and England.
- (c) Wages Disputes.
- (d) Influence of Trade Unions.
- (e) Arbitration.
- (f) Sliding Scales.
- (g) Agriculture and Rent.
- (h) Movements in rate of Interest.
- (i) Movements in Profits.

#### C. HISTORY OF PRICES.

- (a) Purchasing Power of Remunerations. (See p. 17.)
- (b) General Retrospect.
- (c) Trade cycles.
- (d) The Course of Prices.
- (e) Chief causes of Price movements.
  1. Climatic and similar physical variations resulting in varied productivity of harvests, etc.
  2. Changes in political conditions.
  3. Speculation on the probability of variations in conditions affecting prices.
  4. Expansion and contraction of credit.

5. Changes of monetary law.
6. Variations in the quantities of the precious metals available for use as money.
7. Alterations in the productivity of labour in consequence of diminishing returns, varying natural advantages, discovery of new sources, and invention of new tools.
8. Variations in demand for consumption due to increase or decrease in population (quantitatively and qualitatively—numbers and health), change of fashion, variation of standard of comfort.
9. Variation of relations of members of complementary groups of commodities.
10. Alterations in geographical relations by opening or closing of means of transit—*e.g.*, opening of Suez Canal and diminishing use of Cape route.
11. Competition and its opposite—monopolisation.
12. Legislation—Customs and Excise duties, Acts of Parliament affecting hours of labour in particular industries.

3. B. Price, *Industrial Peace*; Jevons' *Investigations on Currency and Finance*; *Reports of American Statistical Bureaux*; *Labour Statistics, B. of T.* c. Prof. Foxwell, *Fluctuations in Prices*, Claims of Labour Series. Giffen, *Essays in Finance*, First and Second Series. Jevons, *op. cit.* Sauerbeck, *On Prices*, *Journal of Statistical Society*, vol. XLIX. p. 581. R. H. Inglis Palgrave, Memorandum, Third Report of Commission on Depression of Trade, Appendix B. Tooke and Newmarch's *History of Prices*.

## PART IV.

### National Economy.

#### A. THE RELATIONS OF THE STATE TO INDUSTRY AND COMMERCE.

- (a) The State may let Industry and Commerce alone.  
This is *laissez faire*.

- (b) It may attempt to confine competition in trading to the frontiers of the nation by imposing tariffs upon foreign commodities. This is Protection.
- (c) It may attempt to secure international competition in trading by abolishing tariffs and by entering into commercial treaties based on the reduction or abolition of tariffs. This is Free Trade.
- (d) It may, while adopting (b) or (c), control industry by such legislation as Factory Acts, Mines Acts, Margarine Acts, Merchandise Marks Acts, etc. etc. This may be described as Opportunism.
- (e) It may organise industry by making it a government department or series of departments—*e.g.* the Post Office in most countries, and the tobacco manufacture in France. When all industries are thus organised, this is State Socialism.

## B. PUBLIC (STATE) FINANCE. The Budget.

### 1. THE REVENUE.

#### (a) Taxation.

Incidence of Taxation.

Current Methods of Taxation.

- (b) Payments for direct services rendered by Government, or for industries undertaken by it.

### 2. THE EXPENDITURE.

#### (a) Interest on Debt.

#### (b) Army and Navy.

#### (c) Civil Services.

#### (d) Education.

### 3. CAPITAL EXPENDITURE. The National Debt.

## C. PUBLIC (MUNICIPAL) FINANCE.

### 1. Local Taxation.

## 2. Expenditure.

Public Health.

Education, etc. etc.

## D. SERVICES REQUIRED OF CITIZENS BY GOVERNMENT.

- (a) Forced labour.
- (b) Military Services (Conscription).
- (c) Services in administration of justice.
- (d) In Municipal Councils.
- (e) In Parliament.

A. Smith, *W. of N.*; Spencer's *Man v. the State*, *Study of Sociology*, and *Essays*; Aub. Herbert, *For Liberty*; Huxley's *Critiques and Addresses*; List, *National System of Political Economy*; Jevons, *The State in relation to Labour*; Cunn. *Pol. Econ.*; Farrer, *Free Trade and Fair Trade*. B. *The Annual Budgets of the Chancellor of the Exchequer*; Wilson, *The National Income, Expenditure, and Debt*; Dowell's *History of Taxation*. C. *Local Government*, Cobden Club.

## PART V.—GENERAL SUMMARY.

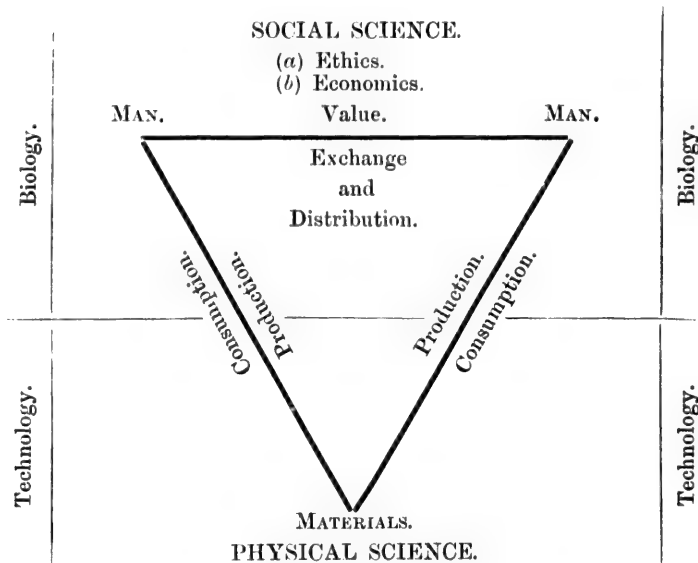
1. In the preceding series of charts a course of reading has been mapped out, by following which it is possible to obtain a general survey of English economic history, of economic opinion, and of industrial and commercial legislation. Such a general survey would disclose how changes in agricultural methods, how alteration in industrial processes have affected the development of our country, and have made now one district prosper and now another. It would disclose how the varying conditions of industry and commerce are reflected in the fluctuations of economic opinion, how prevailing views of the functions of the State fluctuate between partial patri-archalism and partial *laissez faire*, how custom and legislation mutually hang upon each other, and how political movements and economic movements are closely related.

2. The suggested analysis of the economic processes in modern industry will result in the discovery of certain definite relations between those processes, and now, by way of bringing these into focus, the following brief summary is offered.

The remark of Jevons "that Economics rests upon the laws of human enjoyment; and that if those laws are developed by no other science, they must be developed by economists" (Jevons, p. 43), may be taken as a starting-point. Referring to the context, and to the writings of Mill, Sidgwick, and others quoted above, for full discussion of the subject, it may be noted generally that this view involves the conception that **Economic Science has to do with that part of life which consists in the experience and satisfaction of needs considered in relation to the resources available for this satisfaction.** Round human needs as a centre, all the recondite questions of supply and demand, of final utility, of value, of exchange, of consumption, production, and distribution, range



themselves in definite relations. The extent and urgency of our needs constitutes demand. The relation of one set of needs to another set brings about exchange, and determines value. The existence of our needs necessitates production, and the satisfaction of them is consumption. Economics is thus concerned with a three-cornered relation, viz. a relation between man and man and materials. This may be expressed in the following diagram :—



So far as materials are concerned there is that part of economics which is known as the **Statistics of Production**, or the quantitative statement of the grain, iron, coal, money, available at any particular time, or made available during any period. As regards the relations between man and materials, we have the phenomena of production and consumption both involving direct contact of man with materials. And here statistics and technology divide the field with economics proper. Then we have the relations of man with man as

regards materials, involving the play of needs against needs, and from this arises the question of **exchange value**, the quantitative statement of need. Then there is the relation of man to man involving the rendering of service by one man to another in satisfying needs; and there, again, the play of individual needs determines value, and gives rise to questions of distribution. In these relations biology and ethics share the field with economics.

It is thus possible to look at any human action from three points of view at least—from a biological point of view, from an economic point of view, or from an ethical point of view. To clear vision these different points of view do not yield contradictory results, any more than chemistry and geology yield contradictory results, though each regards a piece of rock in a manner appropriate to itself. All of the sciences, whose relations to each other have been indicated, take cognisance of certain human social forces and certain extra human forces, and when they fully understand these, a task sufficiently enormous, they are each doing their proper work. The paramount need of the time is a co-ordination as adequate as the specialisation which, up till now, has been the characteristic of scientific research on every plane. It is for the student of human life, or the sociologist, to co-ordinate the results of biologist, economist, and moralist alike; and for the administrator or social reformer to shape his action in conformity with this co-ordination.

3. The following diagrams of Social Dynamics are intended to show in brief outline the bearings of the theories and schemes of social progress that are now current, many of these in one form or another having appeared and reappeared during our historic survey. Each of the theories and schemes incidentally offers a criticism of the theory and the scheme by which the world wags now; and these criticisms, varying in value as they do, are to be regarded as an integral part of the subject-matter of our study, since they indicate certain definite tendencies in economic opinion. If they do not now prevail, some of them have prevailed, and may again do so.

In any case it is our duty to study them, their perpetual recurrence alone raising them out of the region of mere useless hypotheses. Present opinion on economical questions is undoubtedly more or less affected by all of the theories classified, and may, indeed, generally be said to be an eclectic acceptance of some contribution from each of them.

perpetual  
of mere  
questions  
theories  
eclectic

## II.—DIAGRAM OF SOCIAL DYNAMICS.

1.—**SOCIAL PROGRESS.**—GENERAL CONSIDERATIONS : (a) Evolution of Industry and of opinion. Distinction between ethical and economical points of view. The *role* of economic science in the discussion of Social Problems.  
(b) GENERAL CONDITIONS :—1. Improved education, hygienic, manual and mental. 2. Efficient exercise of individual functions. 3. Conscious action as social units as opposed to helplessness before supposed "laws of nature."

2.—**POLITICAL PROGRESS.**—THEORIES OF THE STATE. EXTREMES.

A.—THE PATERNAL THEORY.—(a) Absolute Government ; (b) State Socialism (Lassalle).

E.—THE LAISSEZ-FAIRE THEORY.—(a) Individual Liberty (Spencer) ; (b) Anarchism (Kropotkin).

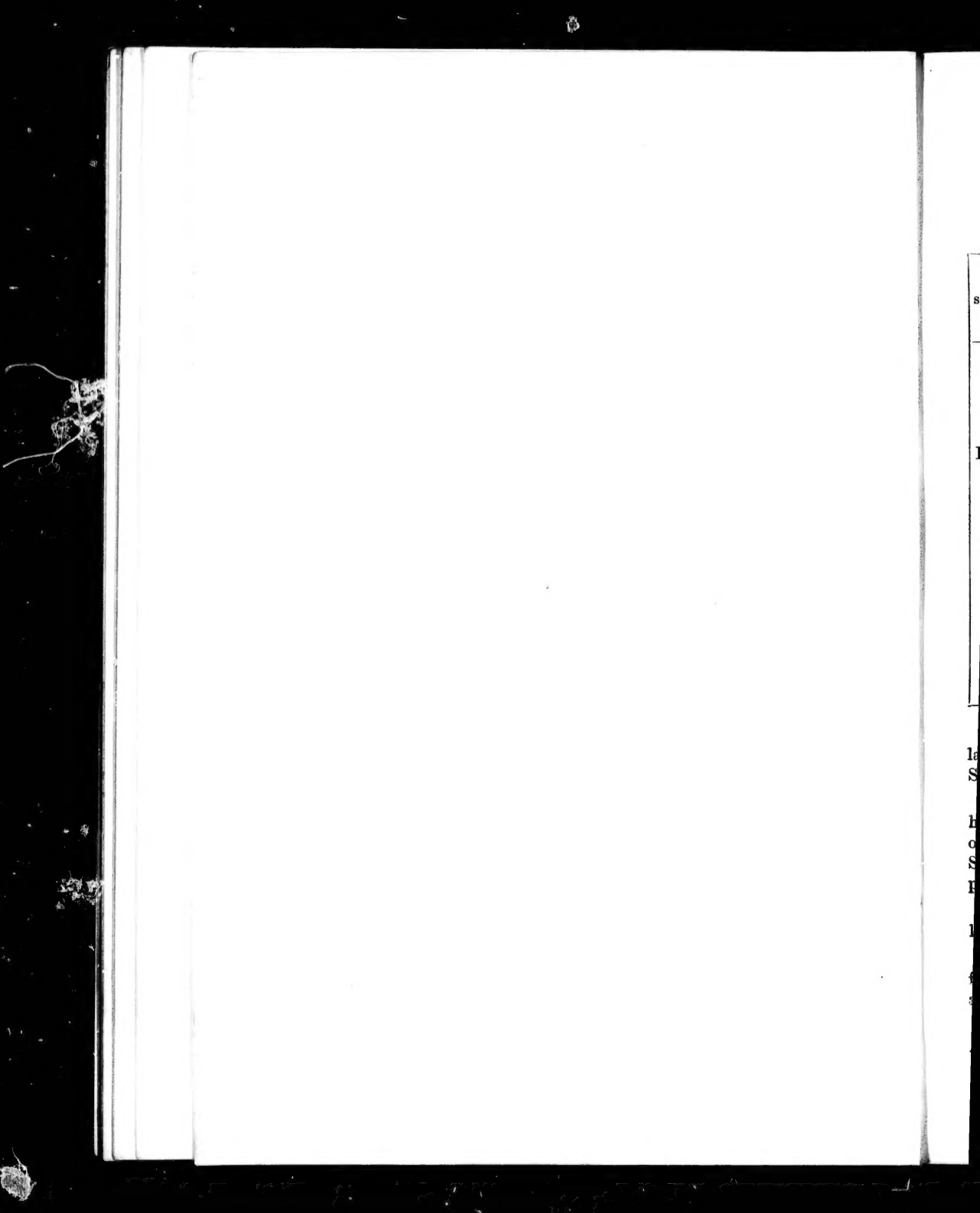
3.—**INDUSTRIAL PROGRESS.**—CURRENT PHASE : Individualism, modified by State regulation, customary law, public opinion, and individual self-abnegation.

## 4.—CLASSIFICATION OF THEORIES AND SCHEMES.

A.—INDIVIDUALISTIC—	SPECIAL AIMS.	Political Bearing.	Social Bearing.	Economic Bearing.
Theories (Spencer).	To minimise Functions of State and to maximise individual liberty.	State action disapproved.	Involves no class changes.	Involves no alteration in current method of division of Product.
	To afford opportunity for independent productive employment of small capitalists in agriculture and in trade.	State action partially involved.	Involvement of function.	Involvement of function.
Schemes—	Undertaking of Operations beyond the reach of individual capitalists, for productive enterprises, or for controlling prices or wages.	Voluntary effort	Involvement of function.	Involvement of function.
	Controlling wages and providing for sick and unemployed.	Voluntary effort	Involvement of function.	Involvement of function.
(a) Capital. Combinations. e.g. Joint Stock Co.'s, Trade Syndicates.	Modification of wages system involving direct sharing of profit between employer and employed.	Voluntary effort	Involvement of function.	Involvement of function.
(b) Labour. Combinations. e.g. Trade Unions.	Union of small capitals in retail trade, profits divided between purchasers and holders of stock.	Voluntary effort	Involvement of function.	Involvement of function.
(c) Profit-Sharing.	Union of a number of (d) societies to carry on joint stock production.	Voluntary effort	Involvement of function.	Involvement of function.
(d) Co-operation for Retail Distribution.	Union of workmen in productive groups, holders of stock and purchasers alone sharing profits	Voluntary effort	Involvement of function.	Involvement of function.
(e) Co-operation for Production. (Federalistic).				
(f) Co-operation for Production. (Individualistic).				

C.—SOCIALISTIC GROUP.		B.—ASSOCIATIVE GROUP.		A.—ANARCHIST-SOCIALIST (Kropotkin).	
(c) Profit-Sharing.	e-g. Trade Unions.	(c) Profit-Sharing.	Modification of wages system involving direct sharing of profit between employer and employed.	and unemployed.	Involved.
(d) Co-operation for Retail Distribution.		(d) Co-operation for Retail Distribution.	Union of small capitals in retail trade, profits divided between purchasers and holders of stock.	Voluntary	of classes.
(e) Co-operation for Production. (Federalistic).		(e) Co-operation for Production. (Federalistic).	Union of a number of (d) societies to carry on joint stock production.	tary effort	Involve suppression or partial suppression
(f) Co-operation for Production. (Individualistic).		(f) Co-operation for Production. (Individualistic).	Union of workmen in productive groups, holders of stock and purchasers alone sharing profits.	alone	of some classes by transference
(g) (c) and (e) combined.		(g) (c) and (e) combined.	Federalistic co-operative production, (e) with profit-sharing by workers.	em-	of their functions to other classes.
(h) (c) and (f) combined.		(h) (c) and (f) combined.	Individualistic co-operative production, with profit-sharing by workers.	played.	—
(i) (c), (d) and (h) combined.		(i) (c), (d) and (h) combined.	"Familistère" plan—production, distribution, and consumption by homogeneous group, with distinction of classes.	—	—
(a) Collectivism (Marx).		(a) Collectivism (Marx).	Transference of the functions of the Land-holding capitalist and employing classes to the State, and the organisation of industry by the State, each citizen being employed by the State, and maintaining himself by labour.	State action not	Involve suppression of three classes by transference of functions to society collectively.
(b) Communism (Fourier).		(b) Communism (Fourier).	Production, distribution, and consumption by homogeneous groups without class distinctions, each member being expected to work as he can, while he consumes as he may.	disapproved.	—
			Compromise between respective ideals of individualism and socialism on the basis of no government of man by man, and of no exploitation of man by man.	State action disapproved.	—

2. A. (c) *Targat*, by Leon Say; Machiavelli, *The Prince*; (b) Lassalle, *Working Man's Programme*. B. (e) Spencer, *Man v. the State*; (b) *Law and Authority*, Kropotkin; *Anarchism*, E. Reclus. 4. A. (c) Mill, *Pol. Econ.*; Lady Verney, *Peasant Proprietors in France*; (b) *Schulz-Deitisch*. B. (c) *Quarterly Journal of Economics*; (b) *Comité de Paris, Trade Unions*; Brentano; Howell, *Conflicts of Labour and Capital*; Donisthorpe, *Labour Capitalisation*; (c) Sedley Taylor, *Profit Sharing*; (b) (c) Holyoake's, *Hist. of Co-operation*; *Reports of Co-op. Congresses*; *Co-operation v. Socialism*, P. Geddes; (b) Godwin's *Social Solutions*. C. (a) Marx, *Capital*; Hyndman's *Historical Basis of Socialism*; J. Rae, *Contemp. Socialism*, T. Kirkup's *Enquiry*; (b) Fourier, *Passional Attractions*; Carruthers' *Commercial and Communal Economy*; *Scientific Meliorism*, Miss J. H. Clapperton; Owen's *Millennial Gazette* and *New Moral World*; Groulund's *Co-operation de Communauté*. Note.—Interesting suggestions to revive the self-contained community of Early England are made in *Poverty and the State*, by H. Y. Mills, and in *The Industrial Village of the Future*, by P. Kropotkin, 19th century, October 1888.



# I. DIAGRAM OF SOCIAL DYNAMICS,

Showing effect of the adoption of some Schemes of Social Progress.

Classes presently exercising Function.	Function.	Reward.	
State.	Government.	Taxation.	
Landholders.	Landholding.	Rent.	
Capitalists.	Holding of Capital.	Interest.	
Employers.	Organisation of Labour.	Salaries and Profits.	
Labourers.	Labour.	Wages.	

**LAND NATIONALISATION** involves the transference of the function of landholding and the reward of its exercise from the landholders to the State, and does not necessarily involve anything else.

**STATE SOCIALISM** involves the transference of the functions of landholding, capital-holding, and in extreme forms also of the organisation of labour, from those who exercise these functions at present to the State—the officials of the State exercising the functions and being paid for their service.

**PEASANT PROPRIETARY** involves the transference of the function of landholding to the labourer.

**CO-OPERATIVE PRODUCTION WITH PROFIT-SHARING** involves the transference of the function of the employer to the labourers collectively, and in extreme forms also the function of the capitalist.

**CO-OPERATIVE DISTRIBUTION AND CO-OPERATIVE PRODUCTION (FEDERALISTIC)** involve no transference of function from one class to another.